

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
Item 79 ID #3798
RESOLUTION E-3886
August 19, 2004

R E S O L U T I O N

Resolution E-3886. San Diego Gas & Electric Company (SDG&E) for Approval to Adopt Proposal for a Summer 2004 Demand Reduction Program.

By Advice Letter 1597-E filed on July 12, 2004.

SUMMARY

SDG&E's proposed summer 2004 "Power Down" program is denied.

SDG&E requested expedited authorization for the \$500,000 "Power Down" media campaign program to encourage customers voluntarily reduce energy consumption during summer peak periods.

SDG&E did not provide a cost-effectiveness analysis to support the program.

A cost-effectiveness analysis by SDG&E is needed to demonstrate that the "Power Down" program provides ratepayer benefits commensurate with the program's costs.

SDG&E did not timely file this proposal and implementation of SDG&E's "Power Down" Program would occur too late in the summer.

The June 4, 2004 Assigned Commissioner's Ruling (ACR) specifically asked that the three utilities submit advice letters within five days to propose summer 2004 demand response programs. SDG&E missed the deadline by a month and since time is required for Commission review and SDG&E to launch the program, implementation would not occur until late in the summer of 2004. With much of the summer behind it, SDG&E's proposal would not be responsive to the ACR, which invited programs that address concerns about possibility of supply shortages this summer.

The Commission supports cost-effective programs that reduce peak demand.

Energy Division's recommendation to deny SDG&E's proposal is not a departure from the Commission's objective of reducing peak demand. Instead, Energy

Division's recommendation is driven by the lack of a cost-effectiveness showing in SDG&E's proposal.

BACKGROUND

SDG&E submitted its summer 2004 demand response program proposal in response to the Assigned Commissioner Ruling.

On June 4, 2004, the Assigned Commissioner in Rulemaking (R.) 02-06-001 issued a ruling expressing concern about the possibility of supply shortages this summer and invited the utilities to submit Advice Letters (ALs) to implement programs in summer 2004.

Pacific Gas & Electric Company (PG&E) submitted AL 2523-E proposing the "Power Down" program. This proposal was approved on July 8, 2004 in Resolution E-3882. SDG&E is proposing to implement the same program consistent with PG&E.

In AL 1597-E, SDG&E proposes the "Power Down" Program to address the Assigned Commissioner's concern of the possibility of supply shortages this summer. "Power Down" is an awareness campaign that encourages customers to voluntarily reduce energy consumption during critical summer peak periods.

SDG&E proposes various strategies in the "Power Down" campaign to reduce peak usage.

SDG&E proposes the following strategies:

- Model "Power Down" after the successful "Spare the Air" campaign;
- Partner with Flex Your Power to develop and launch a grassroots media campaign with other key stakeholders, including government entities and customer groups;
- Issue "Power Down" media notifications when the California Independent System Operator (CAISO) declares tight supplies;
- Provide targeted messages to customer on those days regarding ways to reduce peak usage and save money;
- Provide targeted marketing of peak reducing rebate measures (assuming more funding is allocated for 2004 rebate measures);
- Provide targeted messages using paid and non-paid media on what "Power Down" days are and specific steps customers can take to reduce peak energy use, and how customers can help avoid power outages.

SDG&E proposes to record and recover the costs associated with implementing the program through an existing memorandum account established for demand response programs.

SDG&E is requesting \$500,000 to work with the Investor-Owned Utilities (IOUs), Flex Your Power, and the Energy Coalition to develop and launch this campaign. SDG&E proposes to record and recover the costs associated with implementing the “Power Down” Program from the Advanced Metering and Demand Response Account (AMDRA) mechanism established in Decision (D.) 03-03-036.

NOTICE

Notice of AL 1597-E was made by publication in the Commission’s Daily Calendar. San Diego Gas & Electric Company states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter AL 1597-E was not protested.

DISCUSSION

Energy Division has reviewed SDG&E’s AL and was guided by the June 4, 2004 ACR in its review. Energy Division recommends denying the proposed program based on the following reasons.

SDG&E provided no cost-benefit analysis to demonstrate the ratepayer benefits of implementing the “Power Down” Program.

No information was provided by SDG&E as to how much load reduction could potentially be achieved through the “Power Down” Program. A cost-benefit analysis is needed to justify the \$500,000 program cost proposed by SDG&E.

SDG&E did not file within the ACR’s deadline and implementation of the “Power Down” Program would occur too late in the summer.

The June 4, 2004 ACR specifically asked that the three utilities submit ALs within five days to propose summer 2004 demand response programs. SDG&E filed AL 1597-E on July 12, 2004, a full month past the stated deadline. In its AL, SDG&E proposes to implement the new program by August 1, 2004. But given that time is required for Commission review and SDG&E to launch the program, the

“Power Down” Program will not be available until late in the summer. With much of the summer behind it, SDG&E’s proposal would not be responsive to the ACR, which invited programs that address concerns about possibility of supply shortages this summer.

The Commission supports cost-effective programs that reduce peak demand.

As stated in the Energy Action Plan¹, the Commission is committed to ensure that adequate, reliable, and reasonably-priced electrical power and natural gas supplies, including prudent reserves, are achieved and provide through policies, strategies, and actions that are cost effective and environmentally sound for California’s consumers and taxpayers.² Energy Division recognizes that cost-effective programs that reduce peak demand are a key component of meeting the Commission’s objectives in the Energy Action Plan. Energy Division’s recommendation of denial of SDG&E’s proposal is not a departure from this awareness. Instead, Energy Division’s recommendation is driven by the lack of a cost-effectiveness showing in SDG&E’s proposal.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

All parties in the proceeding have stipulated to reduce the 30-day waiting period required by PU Code section 311(g)(1) to 16 days. Accordingly, this matter will be placed on the first Commission's agenda 16 days following the mailing of this draft resolution. By stipulation of all parties, comments shall be filed on August 12, 2004.

¹ The CPUC adopted the Energy Action Plan in May 2003 in collaboration with the California Energy Commission (CEC) and the California Consumer Power and Conservation Financing Authority (CPA).

² EAP, page 2.

FINDINGS

1. The Assigned Commissioner in R.02-06-001 issued a ruling on June 4, 2004, inviting the utilities to file Advice Letters to implement programs to achieve demand response through Advanced Load Control and expansion of Smart Thermostat programs.
2. PG&E filed AL 2523-E on June 14, 2004, requesting Commission approval of two new programs to achieve demand reduction during the summer of 2004.
3. PG&E's request for Commission approval for the implementation of Electric Rate Schedule E-SAVE and "Power Down" was approved on July 8, 2004.
4. SDG&E filed AL 1597-E on July 12, 2004 requesting Commission approval of the "Power Down" Program, which is equivalent to PG&E's program.
5. SDG&E requests \$500,000 to implement the "Power Down" Program, which will be recorded and recovered through the existing Advanced Metering Demand Response Account (AMDRA).
6. No cost-benefit analysis was provided by SDG&E to quantify the potential load reduction achievable through this program.
7. SDG&E's implementation of the "Power Down" Program would not occur until late in the summer and as such is not fully responsive to the ACR, which invited programs that address concerns about possibility of supply shortages this summer
8. SDG&E's proposed "Power Down" Program should be rejected.

THEREFORE IT IS ORDERED THAT:

1. SDG&E's Advice Letter AL 1597-E is denied.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on August 19, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director